



State of New Jersey
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
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ENERGY

IN THE MATTER OF THE PROVISION OF BASIC
GENERATION SERVICE FOR THE PERIOD
BEGINNING JUNE 1, 2006 – CONTINGENCY)
PLANS

DECISION AND ORDER

DOCKET NO. EO05040317

(SERVICE LIST ATTACHED)

BY THE BOARD¹:

By Order dated February 23, 2006, the Board approved the results of the 2006 Basic Generation Supply Commercial Industrial Energy Price Auction ("2006 BGS-CIEP Auction"). In that Auction, the Auction Manager implemented volume reductions resulting in a portion of the BGS-CIEP tranches being withdrawn from the Auction to be served consistent with the contingency plans of the electric distribution companies ("EDCs"). The EDCs Contingency Plans had been approved by the Board in its Order dated December 8, 2005. By letters dated May 10, 2006, Public Service Electric and Gas Company ("PSE&G") and Rockland Electric Company ("Rockland") individually filed details of the methodology to be employed to serve the unsecured BGS-CIEP tranches² from June 1, 2006 through May 31, 2007. Jersey Central Power & Light Company ("JCP&L") filed a similar letter dated May 11, 2006. The EDCs have filed these letters "in order to avoid any confusion" as to how the unsecured tranches will be served. Atlantic City Electric Company ("ACE") has not filed a similar letter.³

¹ Commissioner Joseph L. Fiordaliso did not participate in the vote or in the deliberation in this matter.

² A tranche in the BGS-CIEP Auction is approximately the equivalent of 25 MW of peak load.

³ The Board notes that a significant percentage of ACE's CIEP load (approximately 92%) is served by third party suppliers. Therefore, the amount of load that ACE will be serving through its CIEP Contingency Plan will be significantly less than the other EDCs.

Through the Contingency Plans, JCP&L will be serving 11 BGS-CIEP tranches; PSE&G will serve 27 tranches and Rockland 1 tranche. The methodologies enunciated by the EDCs are intended to be consistent with their Board-approved Contingency Plans and include additional specifics related to the provision of energy, capacity, transmission, ancillary services and renewable attributes. Included in the additional specifics are details of whether the real-time or day-ahead market will be used to secure energy and, if day-ahead, how the load will be forecast and how the Board's Renewable Portfolio Standards will be satisfied. The EDCs letters also reiterate how costs and revenues will be treated.

Each EDC has also indicated that all costs and revenues will flow through its BGS-CIEP reconciliation account. While this accounting methodology is consistent with that previously approved by the Board, it has the potential, in the specific case of the BGS-CIEP Auction, to create a mismatch between the customers paying for the service and the customers receiving any potential benefits as a result of a surplus of revenues. Specifically, all CIEP customers pay the Default Supply Service Availability Charge ("DSSAC"), which was the bid product in the BGS-CIEP Auction and which is being paid on a megawatt-hour basis to all suppliers serving BGS-CIEP load. The reconciliation account, however, results in a credit or surcharge only to those CIEP customers still receiving supply as a utility customer. It does not affect those CIEP customers that have chosen a retail supplier for their supply needs.

The closing prices in the 2006 BGS-CIEP Auction reflect not only the actual cost of providing the service but, presumably, a profit margin as well as factors to account for weather, migration, regulatory and other risks that might be associated with the provision of this service by an unregulated entity. For EDCs serving unsecured tranches, the costs involved should be limited to the provision of the service. There are no costs associated with profit or risk factors. Therefore, it is conceivable that, under the currently approved accounting methodology, the costs and revenues from providing this service would result in a credit to the reconciliation charge. As the Board indicated in its December 8, 2005 Order approving a change to the DSSAC as the bid product for the BGS-CIEP Auction, all CIEP customers should be responsible for the availability of BGS-CIEP service. Similarly, to the extent there is a revenue surplus from the provision of this service, as there might be for the EDC-served tranches, the surplus should be returned, to the extent practicable, to all customers paying the DSSAC. Accordingly, Board Staff has recommended that the EDCs, including ACE, account for the costs and revenues associated with serving the unsecured CIEP tranches in a deferred account.

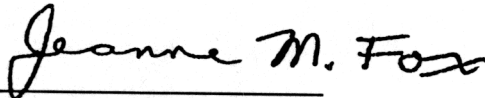
On June 20, 2006, Board Staff provided copies of the EDCs submissions to the Service List in this matter and provided for an opportunity for comments by any interested party on the above-referenced deferral methodology, via the Board's Electronic List Server. The Retail Energy Supply Association ("RESA") was the sole responder and supported the proposed methodology.

The Board has reviewed the EDCs Supply methodologies and FINDS them to be consistent with the previously approved Contingency Plans of each EDC. The Board recognizes that slight variations exist among the EDCs methodologies to reflect the differences among service territories, the number of tranches being served and the most cost effective manner in which to serve those tranches. The Board HEREBY APPROVES the supply methodologies identified by JCP&L, PSE&G and Rockland for implementation of their 2006 Contingency Plans. Furthermore, the Board HEREBY DIRECTS the EDCs, including ACE, to account for the costs and revenues associated with serving the unsecured CIEP tranches in a deferred account. The credit, or debit, from this account will be applied, with interest, to the provision of BGS-CIEP service for the period beginning June 1, 2007. Interest will be calculated at the rate indicated in the Account and Cost Recovery section of each EDC's 2006 Company-specific Addendum. The

methodology for applying the credit or debit will be determined as part of the 2007 BGS procurement proceeding.⁴ This will provide the EDCs several months experience in implementing their Contingency Plans and the Board and interested parties will have additional information as to the level of costs and revenues involved and how best to apply the net result to next year's supply period.

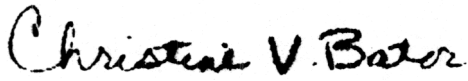
DATED: 7/21/06

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

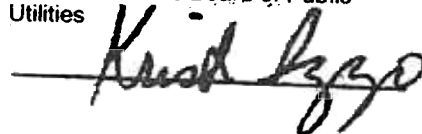

CONNIE O. HUGHES
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



⁴ I/M/O the Provision of Basic Generation Service for the Period Beginning June 1, 2007, Docket No. EO06020119.